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TAGS: [PREL](#) [ETRD](#) [CI](#) [UY](#)
SUBJECT: BACHELET'S VISIT TO URUGUAY MARKS CLOSER
CHILEAN-URUGUAY RELATIONS

Classified By: DCM Robin Matthewman; Reasons 1.4 (b)(d)

Summary

¶1. (SBU) Chilean President Michelle Bachelet's visit to Uruguay on July 7-8 highlighted Chile and Uruguay's shared trade interests and vision for South America. The short visit was well-received by the Uruguayan media and public, and underscored the countries' like-mindedness in politics and trade. The countries expressed their commitment to a closer relationship and signed four agreements as well as a 40-point joint declaration.

¶2. (U) The following agreements were signed between the two countries:
--The Strategic Association Agreement, an agreement to pursue closer political and economic ties between the countries;
--An additional protocol to deepen the 1996 Chile-MERCOSUR Agreement, which will cut tariffs between the countries to less than 1% of products;
--An additional protocol of the Basic Science Cooperation Agreement; and
--A Cooperation Agreement between the Uruguayan National Institute of Women's Affairs and the National Service of Women of Chile. END SUMMARY.

A Common Worldview

¶3. (SBU) Beyond these concrete demonstrations of partnership, several aspects of the visit stressed the shared regional and economic outlook of the two governments. Uruguay has long looked to Chile as an economic model, and the two countries' moderate-leftist governments find ample common ground. The Strategic Association Agreement goes beyond trade to create a bi-national commission to discuss "solid" social policies especially to address hunger, poverty, uneven distribution of wealth, and social exclusion. Bachelet emphasized that agreements of this sort are uncommon for Chile and are reserved for "partners in the international construction of the 21st Century."

¶4. (U) Bachelet and Vazquez also concurred on: opposition to the recent EU immigration legislation, the need for improved regional integration, and the complexity of the social challenges presented by globalization. The inauguration of the Dr. Salvador Allende Civic Center in the town of Barros Blancos of the state of Canelones marked the first official head of state visit to Canelones. Bachelet, accompanied by FM Fernandez and Chilean congresswoman and writer Isabel Allende, memorialized the late Chilean president and spoke of Uruguay's and Chile's shared history of military dictatorships and commitment to democracy.

Increased Trade Opportunities

15. (SBU) Through new and existing agreements, the GOC and GOU touted strategies to pursue a closer trade relationship. In an effort to bilaterally amplify the MERCOSUR free trade agreement (FTA), of which Chile is an associate, the additional protocol signed by Uruguay and Chile will begin to eliminate all tariffs between the two countries except for sugar and wheat. The Foreign Ministers also started working on an agreement to eliminate double taxation with the goal of augmenting investment between the countries.

Press coverage

16. (U) Bachelet's visit was largely celebrated in the press. The abundant coverage of her visit focused on economic agreements and the strong links between Chile and Uruguay. The media also highlighted the similarities in the presidents, for example, they are both doctors and both leading central-leftist governments with similar histories of democracy. La Republica, a moderately leftist publication, called the new opportunities for increased trade with Chile the "best news all year." The far left La Juventud, however, condemns the new trade agreements as destined to increase income disparity. The press widely reported Bachelet's offer of access to the Pacific Ocean as well as to the four billion consumers covered by Chile's 58 FTAs. NOTE: Rules of origin requirements would not allow Uruguay to directly access markets through Chile's bilateral accords, but should spur investment and partnerships. The approach underscores the GOU's efforts to develop bilateral trade agreements independent of its MERCOSUR partners. END NOTE.

Comment

17. (C) The Bachelet visit was a chance for two economically successful moderate left governments to strengthen their cooperation within the region. Bachelet and her offers to help Uruguay reach more markets won the hearts and minds across the political spectrum in Uruguay. A cozier relationship between the GOU and GOC outside of the auspices of MERCOSUR is seen by some as a threat to regional integration. Vazquez attempted to head off this sentiment by assuring that an improved relationship with Chile is not exclusionary and does not "go behind the back of any regional integration program." Nevertheless, Uruguay is wary of the constraints imposed by its junior membership in MERCOSUR, and this can be seen as a small step towards greater independence from that body. END COMMENT.

Baxter